

FILED

THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
(Baltimore Division)

FEB 19 2001

CLERK'S OFFICE  
U. S. BANKRUPTCY COURT  
DISTRICT OF MARYLAND  
BALTIMORE

In re:

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FRANK'S NURSERY & CRAFTS, INC., et  
al.,

\*

Case No. 01-52415-JS THROVH 01-52416-JS  
(Chapter 11)  
(Jointly Administered)

\*

Debtors.

\* \* \* \* \*

**DEBTORS' MOTION FOR AUTHORIZATION TO PAY CERTAIN PREPETITION: (i) WAGES, SALARIES AND OTHER COMPENSATION; (ii) EMPLOYEE MEDICAL AND SIMILAR BENEFITS, (iii) REIMBURSABLE EMPLOYEE EXPENSES; (iv) ORDINARY COURSE PERFORMANCE PAYMENTS; (v) RETENTION PAYMENTS; AND (vi) OTHER MISCELLANEOUS EMPLOYEE EXPENSES AND BENEFITS**

Frank's Nursery & Crafts, Inc. and FNC Holdings, Inc., debtors and debtors in possession (collectively, the "Debtors") in the above-captioned cases, by counsel, file this motion for authorization to pay prepetition: (i) wages, salaries and other compensation; (ii) employee medical and similar benefits; (iii) reimbursable employee expenses; (iv) ordinary course performance payments; (v) employee retention payments; and (vi) other miscellaneous employee expenses and benefits (the "Motion"), and state:

**Jurisdiction**

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The relief sought with this Motion is predicated upon sections 105(a) and 363(b) of Title 11 of the United States Code, 11 U.S.C. §§ 101 et. seq. (the "Bankruptcy Code").

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### **The Chapter 11 Cases**

3. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in this Court. The Debtors intend to continue in possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. By motion submitted to the Court concurrently herewith, the Debtors seek entry of an order of this Court authorizing the procedural consolidation and joint administration of these cases.

### **The Debtors and Their Business Operations**

5. Frank's, founded in 1949, operates the largest United States chain (as measured by sales) of specialty retail stores devoted to the sales of lawn and garden products. Lawn and garden products include green and flowering plants for outdoor and indoor usage, live landscape products such as trees and shrubs, fertilizers, seeds, bulbs, gardening tools and accessories, planters, watering equipment, garden statuary and furniture, wild bird food and feeders, mulches and specialty soils. Frank's also is a leading retailer of Christmas Trim-A-Tree merchandise, artificial flowers and arrangements, garden and floral crafts, and home decorative products. FNC (formerly known as General Host Corporation) is the sole shareholder of Frank's.

6. As of February 9, 2001, Frank's operated 217 retail stores in 15 states, primarily in the Mid-Atlantic, Midwest and Northeast. At that time, an additional 44 stores were being closed as part of a previously announced plan to sell under-performing store locations. In its fiscal year ending January 28, 2001, Frank's had sales of approximately \$435 million. Currently, the Debtors employ approximately 1,900 full-time and 5,000 part-time employees. As

of November 5, 2000, the Debtors had total assets of approximately \$471.9 million and total debt of approximately \$338.3 million.

7. The Debtors' sales are seasonal. The lawn and garden revenues are concentrated principally in the Spring and, to a lesser extent, in the Fall. The Trim-A-Tree sales occur between Thanksgiving and Christmas.

8. During most of the first half of 2000, weather patterns negatively impacted lawn and garden product sales across the Debtors' principal markets. During the third quarter of 2000, the Debtors decided to close 44 under-performing stores, liquidate their inventories, and sell the closed stores owned by the Debtors. Later in 2000 it became apparent that the Debtors' Trim-A-Tree holiday season sales were below expectations, which was consistent with the general softness in sales at retailers during this period.

9. In 2001, notwithstanding excess borrowing availability under their existing bank credit facilities, the Debtors were unable to draw down sufficient funding to meet the Debtors' working capital needs because the Prepetition Lenders asserted that various conditions to borrowing had not been met. (The Prepetition Lenders, however, did provide limited funding subject to various conditions.) Also, in the relatively short period since access to their credit facilities had been curtailed, the Debtors were unable to secure additional funding to meet those working capital needs. Ultimately, the Debtors determined the most appropriate method to obtain such financing and achieve their restructuring objectives was through chapter 11 filings.

#### **Relief Requested**

10. By this Motion, the Debtors seek authority to pay certain pre-petition obligations for the benefit of the Debtors' employees. These prepetition obligations include: (i) employee wages and salaries; (ii) reimbursement of employee business expenses incurred in

the ordinary course, including, without limitation, travel, meals and lodging, and relocation expenses; (iii) maintenance of employee health and welfare plans; (iv) ordinary course performance payments; (v) employee retention payments; and (v) other miscellaneous employee expenses and benefits (collectively, the "Prepetition Employee Obligations"). Annexed as Exhibit "A" hereto is a schedule listing the Prepetition Employee Obligations by category along with the approximate amount owed as of the Petition Date for each such category. The Debtors believe the aggregate amount of Prepetition Employee Obligations approximates \$2.1 million.

A. Wages, Salaries and Commissions

11. Depending upon position and location of employment, the Debtors' employees are paid either weekly in arrears on Thursdays, for the pay period ending on the preceding Friday, or biweekly in arrears on Fridays, for the two-week period ending on that day.<sup>1</sup> As a result, most of the Debtors' employees are owed accrued but unpaid compensation for services rendered during up to the two weeks immediately preceding the Petition Date. The Debtors estimate that as of the Petition Date, the Debtors owe approximately \$850,000 of aggregate prepetition accrued but unpaid gross compensation, including estimated employer payroll taxes (the "Unpaid Compensation"), with no individual employee owed more \$4,300, with a few exceptions set forth below.

12. Further, although some payroll checks issued prior to the Petition Date may already have been presented to and honored by the applicable drawee banks, many of those

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<sup>1</sup> The Debtors utilize the payroll-processing services of Ceridian Employer Services, Inc. ("Ceridian") to issue payroll checks and provide direct deposit of payroll amounts transferred at various banking institutions. The Debtors also utilize various third-party plan administrators to administer their health and welfare plans. The Debtors believe they generally are current on obligations owed to Ceridian and the third-party administrators. However, to the extent such obligations may exist, or to the extent that any portion of the next payment due may be characterized as a prepetition obligation, the Debtors seek authority to pay such amounts to avoid disruption of employee compensation.

checks likely remain outstanding.<sup>2</sup> The Debtors estimate that up to approximately \$750,000 of such payroll checks may remain in float.

13. Also, the Debtors utilize two individual independent contractors who provide consulting services to the Debtors' human resources department. These individuals are owed a relatively de minimus amount as of the Petition Date (less than \$1,000 in the aggregate) and the Debtors consider them to be valuable to the Debtors' human resources department. Accordingly, although not technically employees, the Debtors include them among the personnel covered by this Motion.

14. The continued loyalty of a debtor's employees is necessary to any successful reorganization. Meanwhile, the period immediately following a chapter 11 filing is stressful and uncertain for a debtor's employees. Such circumstances threaten employee morale just when a debtor most needs its employees' loyalty. Another potential threat to morale is certain employees' perception they received less favorable treatment than others. Moreover, many employees simply live paycheck to paycheck and would be devastated by not receiving their full compensation.

15. Accordingly, to minimize employee hardship and prevent wholesale loss of critical employees, the Debtors seek to continue to pay employee compensation in the ordinary course and to direct the banks at which the Debtors maintain segregated payroll accounts to honor all payroll checks (provided sufficient funds are available to honor all such checks) without regard to when the applicable payroll check was issued.<sup>3</sup>

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<sup>2</sup> Only a small percentage of the Debtors' employees are paid by direct deposit.

<sup>3</sup> Simultaneously herewith, the Debtors are filing a motion seeking authorization for, among other things, the maintenance of their bank accounts. In such motion, the Debtors state that they maintain a segregated payroll account from which only payroll checks and direct deposits are issued and another segregated

16. Based upon the Debtors' records for a standard pay period, the Debtors do not expect that more than a few employees will be owed Unpaid Compensation<sup>4</sup> exceeding the \$4,300 priority established under section 507(a)(3) of the Bankruptcy Code. Under any chapter 11 plan, therefore, the Debtors would be required to pay the Unpaid Compensation in full. Thus, the potential prejudice to any party in interest from payment of the Unpaid Compensation now would be minimal, if any.

17. The Debtors have reviewed their payroll registers to identify those employees who, depending on the Petition Date, might be owed Unpaid Compensation exceeding the \$4,300 priority established under section 507(a)(3). The Debtors have identified six employees whose Unpaid Compensation may exceed \$4,300. Collectively, these employees would be entitled to Unpaid Compensation aggregating approximately \$21,000 in excess of \$4,300 per such employee. Due to the importance of these individuals to the Debtors' reorganization efforts and the limited aggregate amount of these obligations, the Debtors request authority to pay these employees their full Unpaid Compensation, provided that the payments per employee above \$4,300 do not exceed \$25,000 in the aggregate or \$12,000 per employee.

18. Further, as part of the Debtors' customary payroll practices, the Debtors withhold specified amounts from employees' salaries or wages including, but not limited to federal, state and local payroll taxes, employee contributions to health and welfare benefit plans, and/or garnishments (the "Designated Payments"), and pay such amounts to applicable

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(footnote continued)

account into which withheld payroll taxes are held and paid (collectively, the "Payroll Accounts"). Accordingly, the Debtors' banks easily may discern employee-related checks from non-employee-related checks.

<sup>4</sup> Unpaid Compensation does not include payroll checks in float as of the Petition Date.

designated third parties (collectively, the "Designated Recipients"). If such payments are not timely made, the applicable employees will be harmed and the officers whose services are essential to the Debtors' reorganization effort could be exposed to personal liability. Consequently, the Debtors seek authority to pay all Designated Payments unpaid as of the Petition Date to the Designated Recipients.

B. Reimbursable Employee Business-Related Expenses

19. In the ordinary course of business, the Debtors reimburse employees for certain business expenses incurred in the scope of their employment, such as travel expenses, business meals, car rentals, moving expenses, and calling card charges.<sup>5</sup> Also, the Debtors have a relocation policy pursuant to which store managers and assistant managers may be reimbursed for moving and other relocation-related expenses associated with changes in employment locations. The Debtors estimate that, as of the Petition Date, employees had unreimbursed expenses aggregating approximately \$75,000 (collectively, the "Reimbursable Expenses"). The Debtors estimate that as of the Petition Date, no individual employee will be owed more than \$2,500 in Reimbursable Expenses.

20. All of the Reimbursable Expenses were incurred on the Debtors' behalf and in reliance upon the understanding that such expenses would be reimbursed. The Debtors' payment of such expenses would reaffirm the employees' faith in their employer and, therefore, have a significant effect on employee morale. Accordingly, the Debtors hereby seek authority to pay such Reimbursable Expenses.

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The Debtors provide certain employees with telephone calling cards, which are used for business-related purposes by such employees when traveling on company business. Charges incurred on these cards are then billed to the Debtors monthly (the "Calling Card Charges"). In order to avoid disruption for those employees that may be currently or imminently traveling for the Debtors, and to ensure that the Debtors can communicate effectively with their employees abroad, the Debtors have included the Calling Card Charges among Reimbursable Expenses.

C. Employee Benefits

21. In the ordinary course of their business, as is customary with most large companies, the Debtors have employee benefit plans and policies that provide employees with medical, dental and similar benefits (collectively, the “Employee Benefits”). Those benefits are described below.

(i) Employee Health Insurance Plans

22. An important element of the Employee Benefits is the standard medical and dental insurance (the “Health Benefits”) the Debtors provide full-time employees through either health maintenance organizations (HMOs) or self-insured health plans generally administered by NGS American, Inc. In each case, through payroll deductions, employees contribute approximately 40% of the cost of the Health Benefits. Currently, the Debtors’ share of Health Benefits costs (i.e., excluding amounts withheld from employees) aggregates approximately \$120,000 per month under self-insured health plans and approximately \$90,000 per month in HMO premiums.

23. Claims under the Debtors’ self-insured health plans (“Self-Insured Claims”) are filed with and processed by the plan administrator, who then either: (a) reimburses the employee for the cost of the services; or (b) pays the health benefits provider for services rendered to the employee. Ordinarily, there is a time gap between when an employee submits a claim and when such claim is paid by the plan administrator. (Claims in such gap period are referred to as “Pipeline Claims”). If the Debtors fail to pay any Self-Insured Claim, the employee generally is directly liable to the provider.

24. Unpaid Self-Insured Claims and Pipeline Claims also may include the claims of former employees, many of whom have elected to continue coverage under COBRA. Solely for the purpose of paying Self-Insured Claims and Pipeline Claims, the Debtors submit



that it is appropriate to include the claims of former employees. By this Motion, the Debtors seek authorization to continue paying the Pipeline Claims and the Self-Insured Claims in the ordinary course, as well as any prepetition HMO premium payment obligations that may be outstanding.

25. Also, the Debtors maintain a “stop-loss” insurance policy (the “Stop-Loss Policy”) that limits the Debtors’ liability for any one health insurance claim to \$175,000. The Stop-Loss Policy costs approximately \$11,000 per month. The Debtors believe that no more than \$11,000 in premium obligations are outstanding as of the Petition Date and hereby seek authority to pay such amount.

26. The Debtors offer part-time employees health insurance through a premium-based policy from Starbridge Insurance Co. The premiums are funded entirely by the covered employees through amounts collected from payroll deductions, which average approximately \$2,800 per month. Through this Motion, the Debtors seek authority to pay the provider any such amounts withheld for the prepetition period.

27. Other payments made by the Debtors for Health Benefits include: (a) approximately \$200 per month for Integrated Eligibility Systems, Inc., which assists the Debtors with integration and coordination of various employee benefit programs to ensure employees and providers are not compensated more than once for a particular claim; (b) approximately \$800 per month to Dentemax, a network representing dentists that charge reduced fees to the Debtors’ employees; and (c) approximately \$3,000 per month to Ceridian Performance Partners, Inc. (“CPP”). CPP manages the Debtors’ employee assistance program, which provides employees with cost-free access to services such as grief and substance abuse counseling. The Debtors

believe they are not more than thirty days past due on their obligations to these providers and through this Motion seek authority to pay any such prepetition obligations.

(ii) Workers' Compensation Insurance

28. The Debtors maintain a premium based workers' compensation insurance plan ("Workers' Compensation Insurance"). Since December 24, 1997, there has been no deductible or self-insured retention associated with Workers' Compensation Insurance.

29. The Debtors' current average monthly premium for Workers' Compensation Insurance is approximately \$150,000. To the extent any portion of the next payment or payment due may be deemed a prepetition obligation, through this Motion the Debtors seek authority to pay such amount in the ordinary course.

(iii) Other Insurance

30. The Debtors provide full-time employees with basic life insurance (with a death benefit of one year's annual salary), short-term disability insurance, long-term disability insurance, and accidental death and dismemberment insurance. In addition, all employees who elect Health Benefits are automatically enrolled in an eyecare plan provided by Vision Service Plan (VSP). With the exception of short-term disability insurance, which has an employee-contribution component, the premiums for all the foregoing are paid entirely by the Debtors. The aggregate monthly premiums approximate \$50,000. The Debtors are not more than thirty days past due on any of these premium obligations and through this Motion request authorization to pay any amounts that may be outstanding for the pre-petition period.

(iv) Optional Benefits

31. The Debtors also maintain certain optional benefit plans, such as supplemental life insurance, supplemental long-term and short-term disability insurance, and supplemental personal accident insurance. (collectively, the "Optional Benefits"). The costs of

these benefits are borne entirely by participating employees through payroll deductions. The Debtors estimate they hold approximately \$20,000 deducted to pay providers for prepetition Optional Benefits. The Debtors believe they hold such contributions under a “constructive trust” for their employees and, accordingly, the contributions should be transferred to the appropriate insurer in the ordinary course.

32. Employees and their families rely on the Debtors for continuing health care. Moreover, if the Self-Insured Claims and other Pipeline Claims are not paid by the Debtors, service providers would look for payment to the employees who received services. Hence, failure to pay amounts for Health Benefits would injure employee welfare and morale. Accordingly, the Debtors believe that it is in the best interests of their estates to pay amounts owed on account of the Health Benefits.

D. Prepetition Contribution to Profit Sharing/401(k) Plan

33. The Debtors maintain a 401(k) retirement savings plan (the “401(k) Plan”). The 401(k) Plan is a tax qualified plan with tax deferred features, pursuant to which Employees may authorize the Debtors to withhold specified amounts from wages (the “Salary Deferrals”). The Debtors deposit such amounts into the 401(k) Plan. In addition, the Debtors match 50% of an individual Employee’s contribution up to a maximum of 3% of each such Employee’s salary. Monthly, approximately \$65,000 in employee contributions are transferred to the plan trustee. Separately, the Debtors’ matching contribution is drawn from funds held in trust for that purpose by the plan trustee.

34. As with health benefits, the Debtors believe payment of pre-petition contributions to the 401(k) Plan is essential to continued high employee morale and goodwill. Moreover, the Debtors believe they hold such contributions under a “constructive trust.”

Accordingly, through this Motion, the Debtors seek authority to continue forwarding all 401(k) funds to UMB Bank, N.A., as plan trustee, as they become due in the ordinary course.

E. Other Employee Benefits

35. Respecting pre-petition employee obligations generally, the Debtors may determine there are additional de minimis prepetition obligations not identified in this Motion. The Debtors, however, may learn of such amounts subsequent to the date hereof. Accordingly, the Debtors request authority to pay any such additional obligations up to an aggregate of \$25,000 upon five days' prior written notice served upon the United States Trustee, counsel to any statutory creditors' committee appointed herein, and counsel to the Debtors' pre-petition and post-petition secured bank lenders, setting forth the nature and amount of the additional obligation sought to be paid. If a written objection is interposed within such five-day period, the Debtors will be required to seek authority from this Court to make such payment. The Debtors reserve their right to seek authority to pay any obligations in excess of the proposed cap.

F. Employee Retention Payments

36. In October, 2000, the Debtors announced plans to sell and/or close 42 stores.<sup>6</sup> In connection therewith, the Debtors instituted an employee retention program for personnel at those closing stores (the "Retention Program"). Under the Retention Program, full-time employees who remain employed at affected stores until closure are entitled to payments equal to six weeks' salary for store managers, four weeks' salary for assistant managers, and two weeks' salary for all other full-time employees, plus, in each case, payments of one-half week's compensation for each year that a particular employee has worked for the Debtors. Part-time employees at the affected locations who remain employed through the applicable store's closure

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<sup>6</sup> Thereafter, this number was increased to 44.

date are entitled to a payment equal to 15% of their wages earned between the date the Retention Program was established and the date of closure.

37. The Debtors believe the Retention Program is reasonable and necessary to avoid severe employee attrition and loss of morale. As of the Petition Date, 40 of the stores subject to the Retention Program remain open and require continued employee assistance. Accordingly, to the extent if any deemed to be pre-petition obligations, through this Motion, the Debtors seek authority to pay any amounts outstanding under the Retention Program, which the Debtors estimate will not exceed \$700,000.

G. Store Manager/Assistant Manager Performance Payments

38. The Debtors maintain a plan (the "Performance Plan") pursuant to which store managers and assistant managers earn payments of up to 24% and 12%, respectively, of their annual salary based upon the Debtors' operating results at the relevant store location, net of advertising expenses allocable to such location.<sup>7</sup> Such payments for the fiscal year ending January 28, 2001 are scheduled for distribution on March 30, 2001. The Debtors expect payments due under the Performance Plan to aggregate approximately \$40,000 and be distributed among approximately 26 employees.

39. The Debtors believe Performance Plan payments should be made as and when they come due. Store-level management most directly influences the attitude of other store employees and is often their primary source of job information. Employee attrition, already a risk due to the commencement of these cases, could escalate substantially -- at both the store-

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<sup>7</sup> The Performance Plan also covers the Debtors' officers and other members of senior and middle management. However, due to the Debtors' operating results during the past fiscal year, store-level employees are the only covered class of personnel that have earned any distributions for the past year under the Performance Plan.

management level and among rank-and-file employees -- if store managers and assistant managers do not receive their Performance Plan earnings. Moreover, with one exception, the Performance Plan payments owed, even when added to accrued wages owed to the subject employees as of the Petition Date, do not exceed the \$4,300 priority established under section 507(a)(3). Consequently, the Debtors hereby seek authorization to make such payments.

#### **Applicable Standards**

40. Pursuant to sections 363(b) and 105(a) of the Bankruptcy Code and the “necessity of payment” doctrine, the Debtors seek authority to pay their outstanding Prepetition Employee Obligations. Section 363(b)(1) provides:

The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.

11 U.S.C. § 363(b)(1). Section 105(a) further provides in pertinent part:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.

11 U.S.C. § 105(a). Accordingly, this Court is authorized to grant the relief requested.

41. Other Courts have recognized the applicability of the “necessity of payment” doctrine respecting payment of prepetition employee compensation and benefits. See, e.g., Disability Compensation and Michigan Self-Insurers’ Security Fund v. Chateaugay Corp. (In re Chateaugay Corp.), 80 B.R. 279 (S.D.N.Y. 1987) (under “necessity of payment” doctrine, it is appropriate for bankruptcy court to defer to debtor’s business judgment in permitting payment of certain workers’ compensation claims); In re Ionosphere Clubs, Inc., 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989) (“This rule recognizes the existence of judicial power to authorize a debtor in a reorganization case to pay pre-petition claims where such payment is essential to the continued operation of the debtor”). As illustrated below, application of the “necessity of payment” doctrine is warranted here.

42. The Debtors' inability to pay the outstanding Prepetition Employee Obligations would cause employees to endure significant stress and hardship. Many employees live from paycheck to paycheck and rely exclusively on receiving their full compensation to pay their daily living expenses. Further, many employees rely on their employee benefits, such as Health Benefits, without which they might be forced live without insurance coverage for themselves and their families. As a result, these employees would be exposed to significant financial and health related problems if the Debtors are not permitted to pay outstanding Prepetition Employee Obligations. If these employees unilaterally terminate their employment for failure to receive the compensation set forth herein, the Debtors' ability to maintain and preserve the value of their estates would be substantially impaired.

43. Regarding amounts payable under health plans, the Debtors believe that if they are not permitted to pay Health Benefits, certain employees will become primarily obligated for payment of these claims and will be in danger of having health services terminated. Understandably, this uncertainty will cause significant anxiety for employees. Thus, payment of the prepetition amounts payable under the health plans is warranted and consistent with the underlying intent of the Bankruptcy Code.

44. Designated Payments and other amounts withheld by the Debtors from employees' paychecks represent, in many cases, employee earnings specifically designated by employees or, in the case of garnishments, by judicial authorities, to be deducted from employee paychecks and paid accordingly. Failure to make these payments would result in hardship to certain employees. With thousands of employees, the Debtors expect numerous inquiries from garnishors and other Designated Recipients regarding the Debtors' failure to make payments to taxing authorities, and for child support and alimony payments, which in each case are not the

Debtors' property, but rather have been withheld from employee paychecks. Moreover, if the Debtors are unable to remit certain of these amounts, the applicable Employees could face legal action.

45. The Debtors' Employees are essential to a successful reorganization. Deterioration in employee morale and welfare at this critical time would harm the Debtors, the value of their assets and business and, ultimately, the Debtors' ability to reorganize. Accordingly, the relief sought herein is in the best interests of the Debtors' estates and their creditors, and would enhance the Debtors ability to continue to operate their businesses with minimal disruption, stabilize their operations, and reorganize.

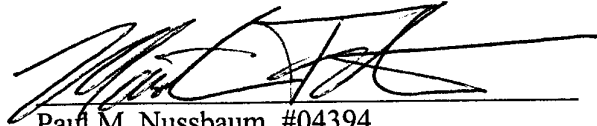
#### **Conclusion**

**WHEREFORE**, the Debtors respectfully request entry of the prefixed order, and such other and further relief as this Court may deem just and proper.

WILLKIE FARR & GALLAGHER  
Alan J. Lipkin  
Steven Wilamowsky  
Carolynn H.G. Pedreira  
787 Seventh Avenue  
New York, New York 10019-6099  
(212) 728-8000

and

WHITEFORD, TAYLOR & PRESTON L.L.P.



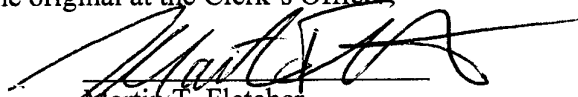
Paul M. Nussbaum, #04394  
Martin T. Fletcher, #07608  
Seven Saint Paul Street, Suite 1400  
Baltimore, Maryland 21202  
(410) 347-8700

Co-Counsel for the Debtors,  
Frank's Nursery & Crafts, Inc., et al.



**CERTIFICATE OF SERVICE**

I certify that on this 19<sup>th</sup> day of February, 2001, a copy of the foregoing pleading was sent by the means indicated and to the parties identified on the Omnibus Certificate of Service filed concurrently with this pleading. In order to expedite the copying and transmittal of pleadings to parties in interest, a copy of the Omnibus Certificate of Service was not transmitted with the pleading. Any party desiring a copy of the Omnibus Certificate of Service may contact the undersigned or may review the original at the Clerk's Office.

  
Martin T. Fletcher

# **Exhibit A**

## **EXHIBIT A**

### **Estimated Prepetition Obligations by Category<sup>1</sup>**

<b>TYPES OF BENEFITS</b>	<b>APPROXIMATE AMOUNT</b>
Wages and Salaries	\$850,000
Reimbursable Employee Expenses	\$75,000
Employee Health Insurance (self-insured plan)	\$120,000
Employee Health Insurance (HMO plan)	\$90,000
"Stop-loss" Insurance	\$11,000
Workers' Compensation Insurance	\$150,000
Other Insurance (life, disability)	\$50,000
Optional Benefits	\$0
401K Plan	\$0
Closing Store Employee Retention Payments	\$700,000
Store Manager/Assistant Manager Performance Payments	\$40,000
	<b>Total: \$2,086,000</b>

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<sup>1</sup> These estimates do not include: (a) amounts presumed to be held by the Debtors in actual or constructive trust for employees or third parties; (b) employee paychecks in "float" (*i.e.*, issued but not deposited and/or cleared).